Five Year Financial Plan   FY10 – FY14
Presentation to Finance/Executive Committee

October 14, 2009

Presented by: Office of the Mayor and Department of Finance

Five Year Financial Plan Purpose and Key Assumptions

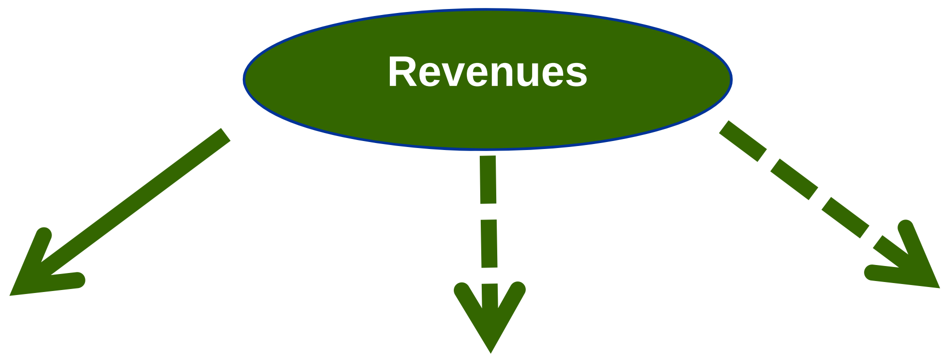
Purpose

- Fulfills the requirements set forth in City Ordinance 09-O-1406

Key Assumptions:

- Projects revenues conservatively based on slow economic recovery
- Funds current service levels based on FY10 budget
- Identifies revenue opportunities and cost reduction initiatives
- Estimates cost of key operating and capital priorities

Our ambition should be to fund service levels at an enhanced level while at the same time replenishing our capital infrastructure



- **Operations at Current Service Delivery Levels**

- **Operations at Enhanced Service Delivery Levels**

- **Capital Infrastructure**
  - **Operating (fleet, facilities, technology, etc.)**
  - **Public (roads, bridges, traffic signals, etc.)**

The Five Year plan shows that we can fund operations at their current levels but that we have insufficient revenues to enhance services or fund our capital needs.

The baseline financial projection is based on a "current services" outlook

Revenue Assumptions:

- No significant structural rate changes
- No property tax rollbacks (capture growth if digest increases)
- Property tax digest growth flat through FY11 and 1.5% annual growth thereafter
- Sales tax rebounds with 7% growth in FY11 and 2% growth thereafter
- All revenue projections incorporate external economic forecasts

Cost Assumptions:

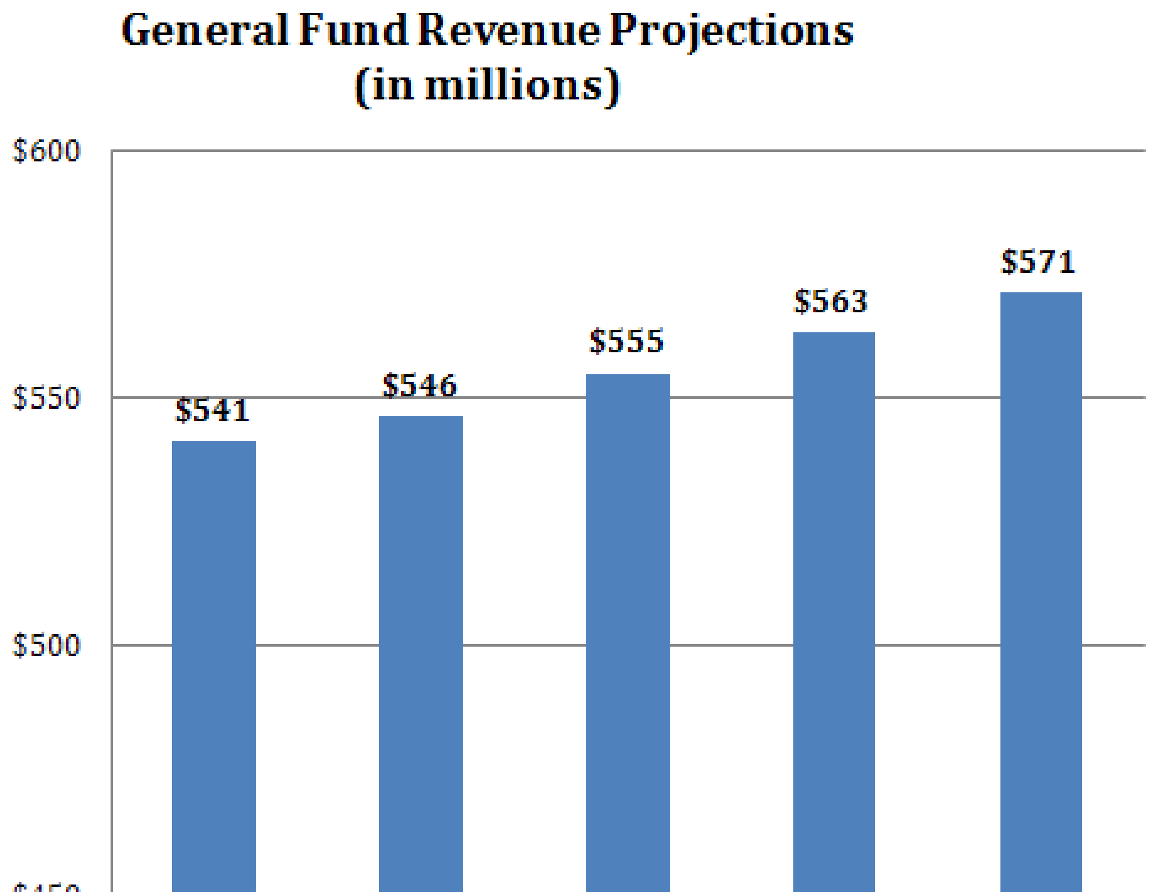
Assumes Existing Service Levels - FY 10 Budget Base

- 1,751 Police Officers (assumes future COPS obligation is funded)
- City workforce of 3,934; No COLAs or raises
- Status quo on recreational centers - 17 open (6 public/private partnerships),16 closed
- No increases in capital investments for infrastructure or fleet
- Continuation of MOU payments to DWM
- Expenses flat until 2012, 3% growth thereafter for operating expenses (based on historic CPI)

Includes Funding for Existing Commitments

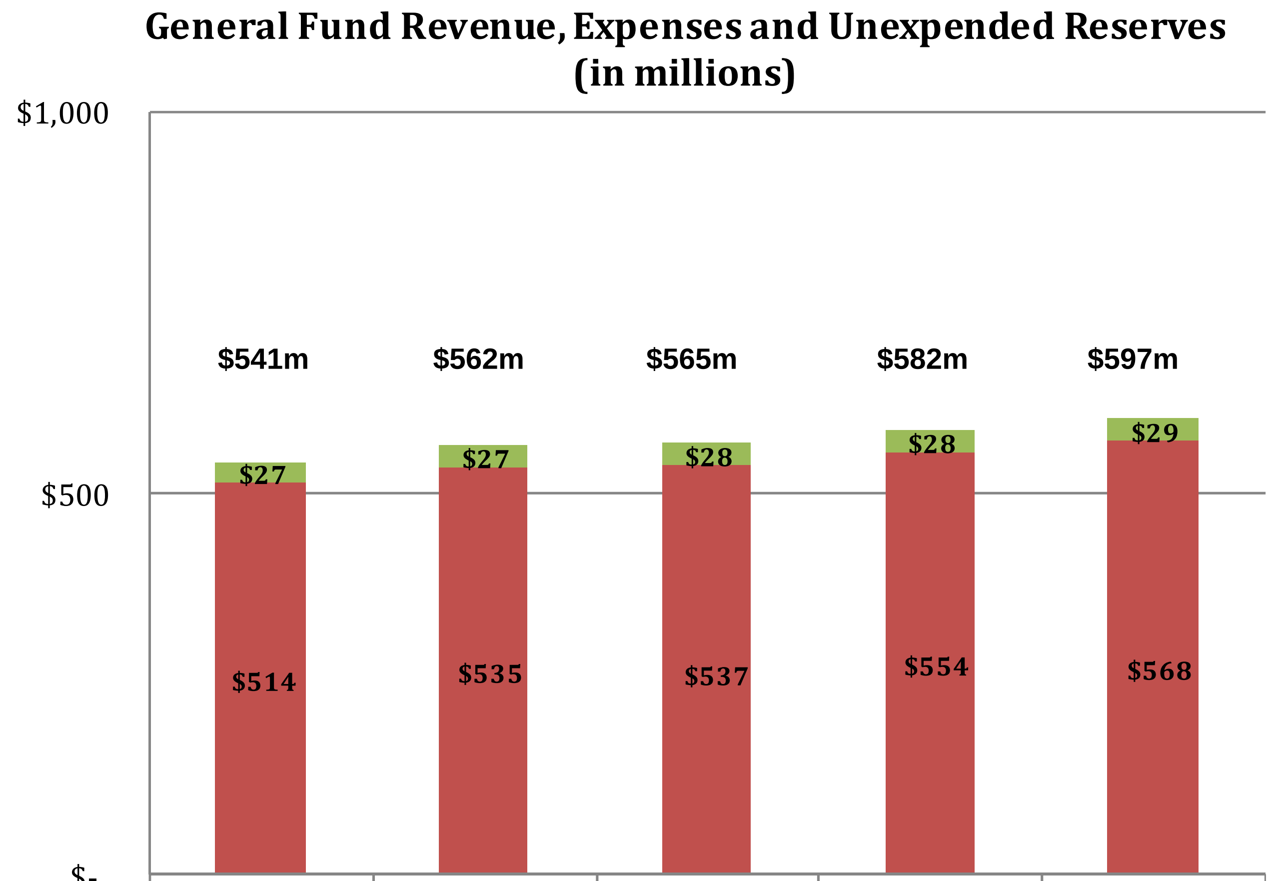
- BeltLine parks maintenance
- Scheduled software upgrade for Oracle
- Increases in O&M expenses due to lack of infrastructure replacement
- Transfer Corrections medical staff back to General Fund from Trust Fund
- Includes radio system maintenance costs (Public Safety)

Revenues are projected to grow at an 1.4% annual rate over the five-year period



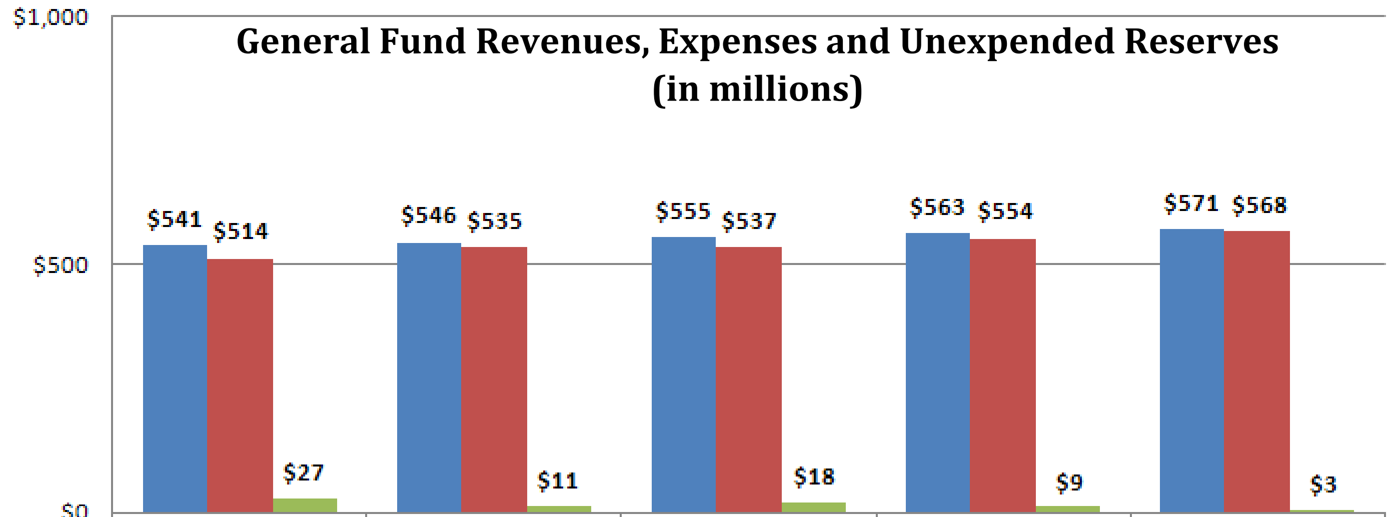
	FY10 Budget	FY11 Projection	FY12 Projection	FY13 Projection	FY14 Projection
Total Revenues	$541,022,089	$545,990,361	$554,643,393	$562,817,453	$570,896,086

Expenses are expected to grow at a 2.5% annual rate over the five-year period



	FY10 Budget	FY11 Projection	FY12 Projection	FY13 Projection	FY14 Projection
Mandatory Restricted Reserve (5%)	$27,051,104	$27,299,518	$27,732,170	$28,140,873	$28,544,804
Operating Expenses	$513,970,985	$534,667,209	$536,912,518	$553,969,293	$568,241,728

Based on these baseline projections, the City can operate at current levels



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Operating Expenses	$513,970,985	$534,667,209	$536,912,518	$553,969,293	$568,241,728
Unexpended Reserves	$27,051,104	$11,323,152	$17,730,875	$8,848,160	$2,654,358

However, this path will lead to an increasing reliance on restricted reserves to cover operating expenses

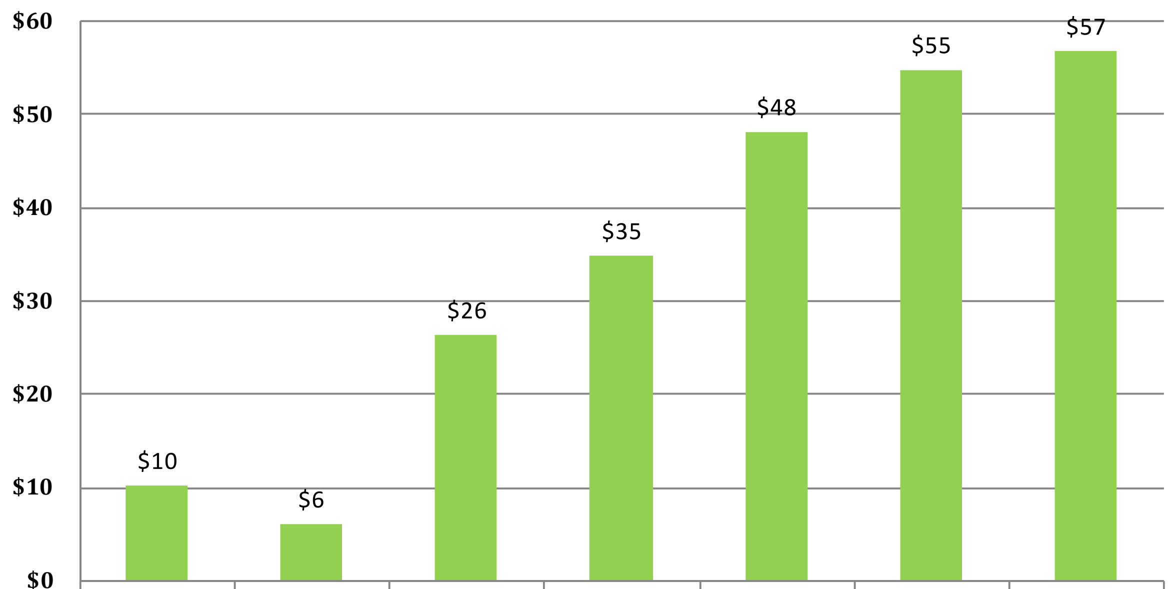
CITY OF ATLANTA
GENERAL FUND REVENUE AND EXPENSES FORECAST
FISCAL YEARS 2010 THROUGH 2014
BASELINE PLANNING SCENARIO

	FY10 Budget	FY11 Projection	FY12 Projection	FY13 Projection	FY14 Projection
Revenues	**541,022,089**	**545,990,361**	**554,643,393**	**562,817,453**	**570,896,086**
Operating Expenses	**$ 513,970,985**	**$ 534,667,209**	**$ 536,912,518**	**$ 553,969,293**	**$ 568,241,728**
Personnel Services	208,386,593	209,540,260	209,540,260	211,536,353	211,536,353
Health Insurance (Employee & Retiree)	41,899,171	46,245,613	50,870,175	56,329,872	61,962,859
Pension (Defined Benefit)	69,141,832	74,810,482	77,954,896	81,684,208	84,941,442
Operating Expenses	61,040,757	61,040,757	62,871,980	64,758,139	66,700,883
Utilities	16,956,152	18,312,644	19,777,656	21,359,868	23,068,658
Fleet Services (Fuel)	3,638,605	3,966,079	4,323,027	4,712,099	5,136,188
Fleet Services (Repair & Maintenance)	7,938,335	9,129,085	10,498,448	12,073,215	13,884,198
Non-Departmental (Other Expenses)	30,566,654	35,748,221	27,395,993	27,895,993	30,665,485
Water Bills (Current)	4,867,364	5,475,785	6,132,879	6,132,879	6,132,879
MOU (Loan Repayment & Old Water Bills)	10,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Interest (MOU & TAN)	7,175,385	5,569,583	5,424,164	5,271,771	5,271,771
Debt Service	52,360,137	44,804,789	40,954,850	37,689,336	33,441,248
Infrastructure-Reactive Repairs	-	3,300,000	3,795,000	4,364,250	5,018,888
Beltline Parks Maintenance	-	964,790	1,614,070	1,902,188	2,221,755
800 Mhz Radio Maintenance Costs		870,700	870,700	870,700	870,700
Corrections, transfer medical staff to GF		888,421	888,421	888,421	888,421
Oracle Upgrade				2,500,000	2,500,000
Mandatory Restricted Reserve (5%)	27,051,104	27,299,518	27,732,170	28,140,873	28,544,804
Total Expenses (Operating & 5% Reserve)	**541,022,089**	**561,966,727**	**564,644,688**	**582,110,166**	**596,786,532**
Unexpended Reserves	$ 27,051,104	$ 11,323,152	$ 17,730,875	$ 8,848,160	$ 2,654,358
Contribution to Capital Finance Fund	**$6,762,776**	**$2,830,788**	**$4,432,719**	**$2,212,040**	**$663,589**
Contribution to Rainy Day Fund	**$20,288,328**	**$8,492,364**	**$13,298,156**	**$6,636,120**	**$1,990,768**
***General Fund Fund Balance**	**$26,288,328**	**$34,780,692**	**$48,078,849**	**$54,714,969**	**$56,705,737**

*NOTE: General Fund fund balance for FY10 assumes a $6 million carryforward from the audited FY09 financial results.

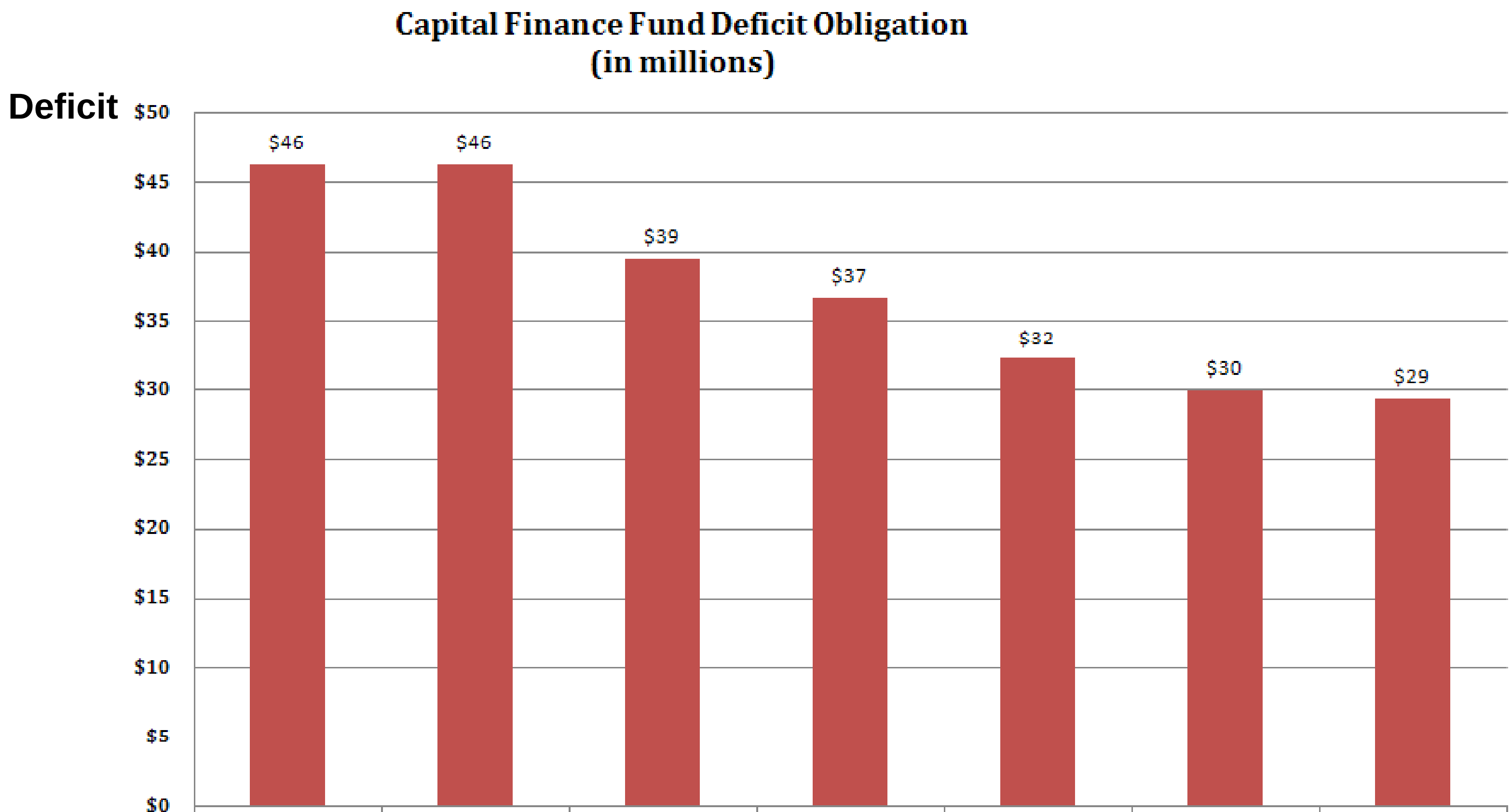
The baseline projection increases the General Fund fund balance to $57M

General Fund Fund Balance Projections (in millions)



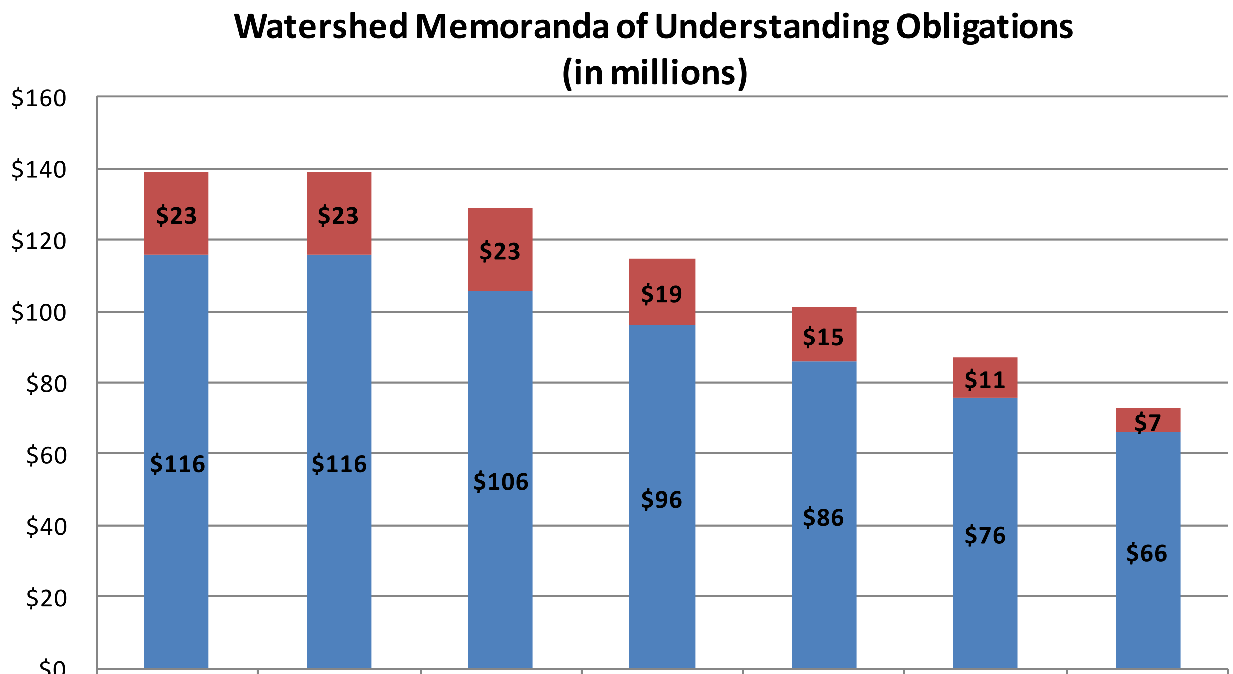
	FY08	FY09	FY10	FY11	FY12	FY13	FY14
General Fund Fund Balance	$10,130,000	$6,000,000	$26,288,328	$34,780,692	$48,078,849	$54,714,969	$56,705,737

The baseline projection reduces the Capital Fund deficit from $46M to $29M



	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Capital Finance Fund (3503)	$46,200,000	$46,200,000	$39,437,224	$36,606,436	$32,173,717	$29,961,677	$29,298,088

The baseline projection reduces the General Fund debt to the Department of Watershed Management from $139M to $74M



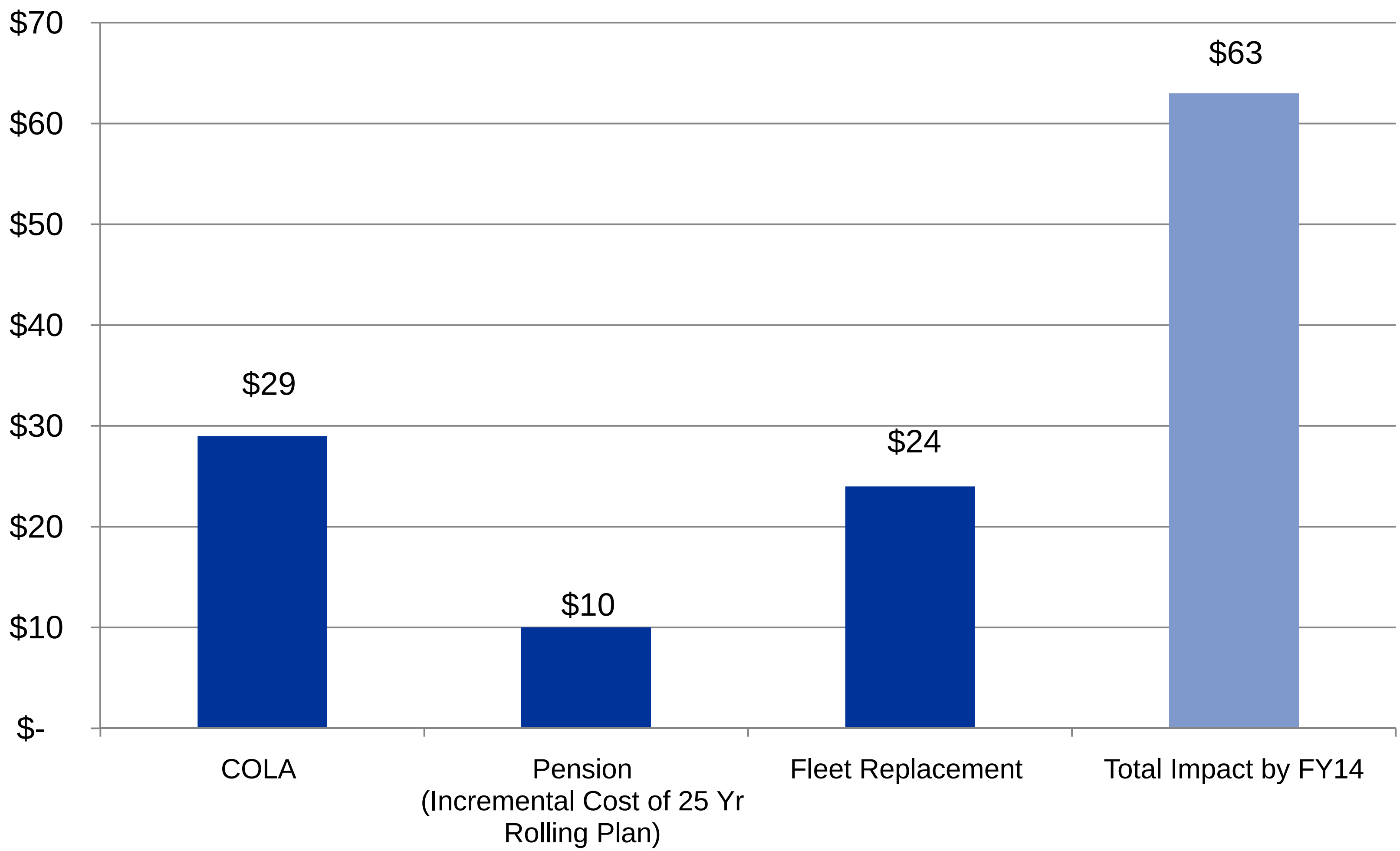
	FY08	FY09	FY10	FY11	FY12	FY13	FY14
MOU #2 Balance	$23,000,000	$23,000,000	$23,000,000	$19,000,000	$15,000,000	$11,000,000	$7,000,000
MOU #1 Balance	$116,000,00	$116,000,00	$106,000,00	$96,000,000	$86,000,000	$76,000,000	$66,000,000

In addition to improving the General Fund's fund balance position, several additional priorities have been modeled in the five year plan

- Reinstatement of COLAs each year at 2.5%
- Reduction of pension fund amortization period
- Replacing the City's rolling stock

The plan also incorporates the projected needs for public and operational infrastructure replacement that was presented to City Council last year

The total annual impact of funding the COLA, fleet replacement and pension amortization adjustment is $63 million by FY14

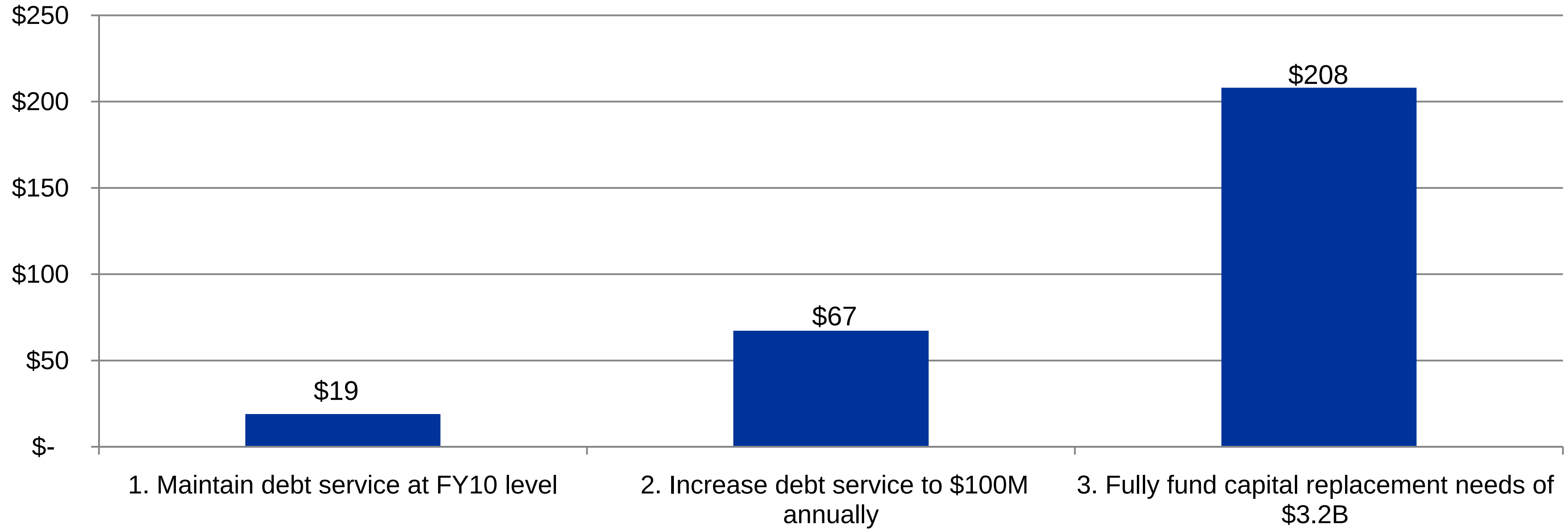


NOTE: Annual cost of the 2.5% COLA is on average $7.2 million

The baseline does not address the City's public and operating infrastructure needs

Annual Debt Service Requirement Under Three Infrastructure Replacement Scenarios

($ in millions)



1. Maintain debt service at FY10 level

- Would add $19M to grow debt service to $52M. This would create enough capacity to fund $292M in capital replacement, which would eliminate nearly half of the infrastructure backlog.

2. Increase debt service to $100M annually

- Would add $67M to grow debt service to 100M. This would create enough capacity to fund $1B in capital replacement, which would eliminate the backlog
- Begin to cover current need

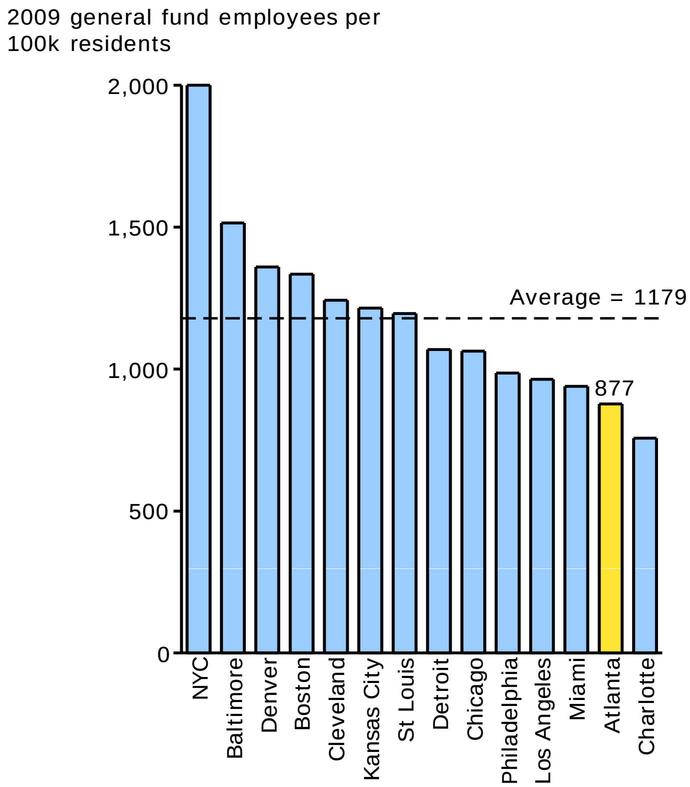
3. Fully fund capital replacement needs of $3.2B

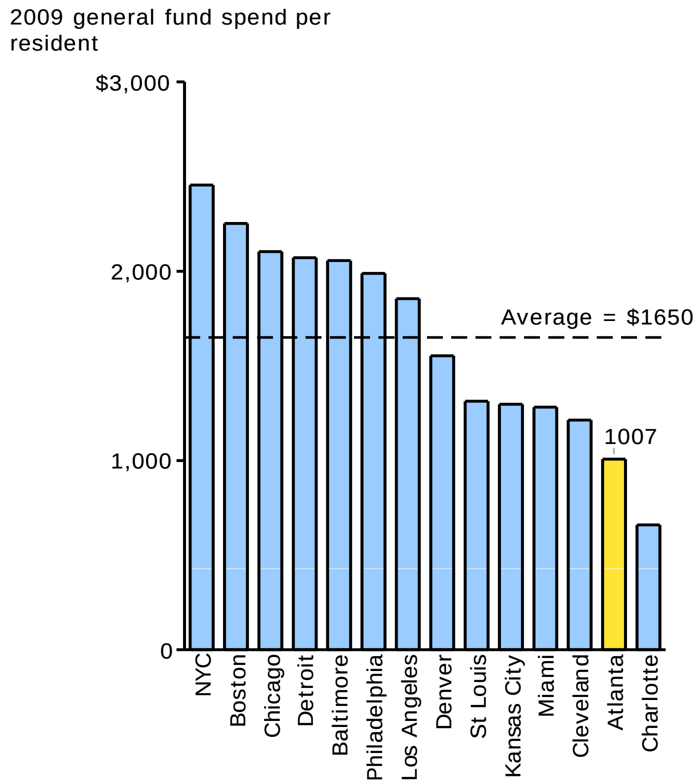
- Would add $208M annual debt service annual over baseline and would eliminate backlog and fully fund $3.2B in capital needs going forward
- Not feasible or recommended

NOTE: Level of debt service are subject to bond market conditions

Assumes 30 year, 5% interest, level debt service

The scope for additional cost reduction options is also limited

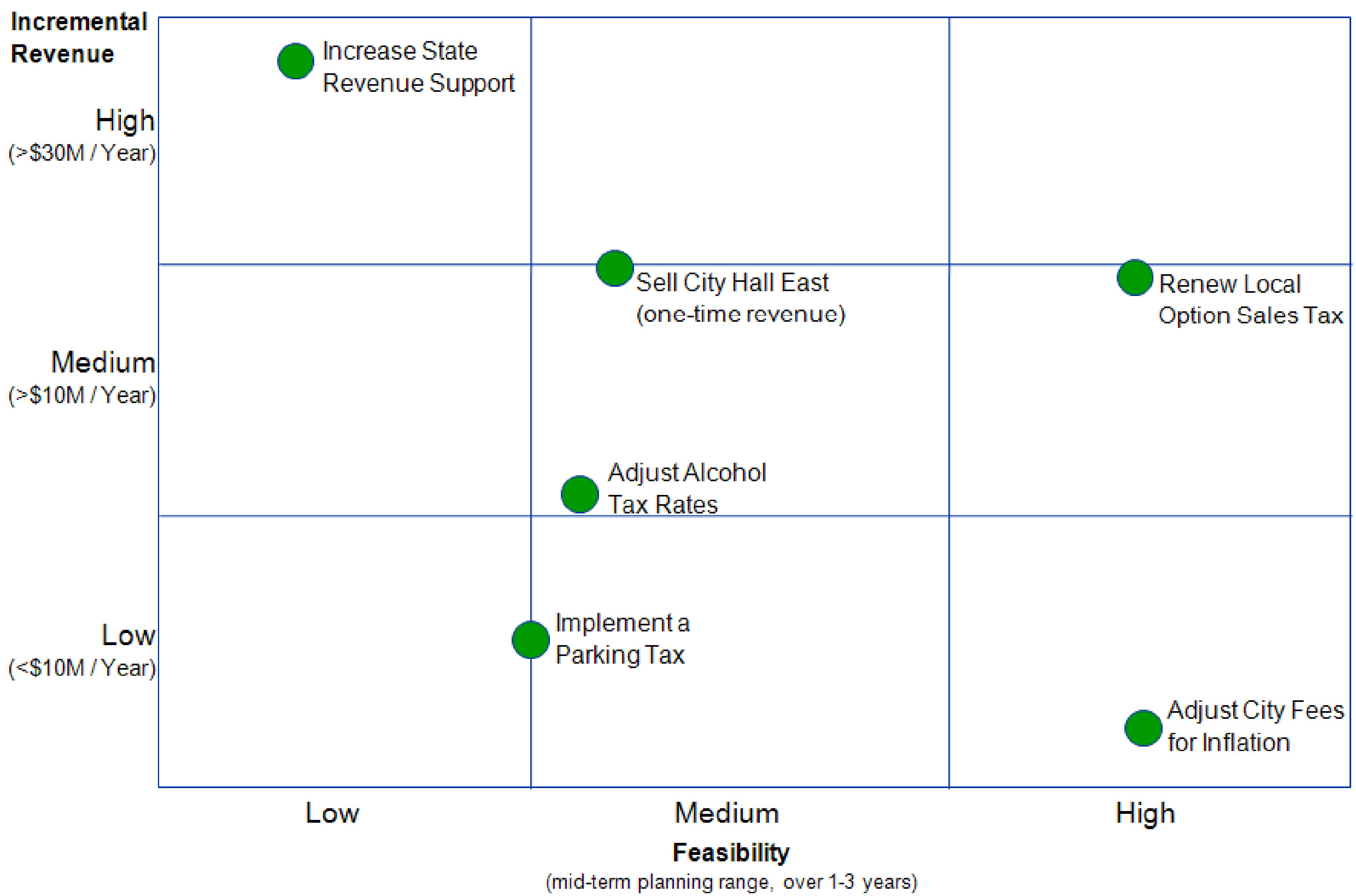




Source: Bain analysis, respective cities FY2009 budgets, US Census Bureau, Office of the CFO

- Sale of jail could create $10-$15M savings opportunity
- Pension review in process
- Outsourcing options need to be continually evaluated

Increasing revenues is critical, but the options are limited



The City is financially stable, but needs long-term revenue solutions

- The City can continue to provide its current level of services assuming the economy recovers as forecasted by economists
- At the same time, the City can make significant progress in building its reserves and reducing its debt positions in key funds
- Funding new service enhancements and making necessary investments in infrastructure will be extremely difficult absent new sources of revenue
- The five year plan presents an opportunity to generate an additional $30 million per year through cost cutting and additional revenue. However this will not cover all needs.